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Updated resource allocation framework and revised MYFF

Summary

The current paper focuses on the main lessons that have emerged since mid-1999 with regard to the implementation of the multi-year funding framework (MYFF) through the strategic results framework (SRF) and results-oriented annual report (ROAR) instruments. As the paper highlights, the introduction of results-based management has opened a new manner in which to carry out business and has focused all levels of the organization on improving the planning, management, monitoring and delivery of results. While it is rather early to pinpoint definitive lessons, an analysis of the SRF/ROAR processes to date has already yielded a number of important considerations that will lead to further improvements in results delivery.

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I. Introduction

1. In its decision 99/23, the Executive Board called on the Administrator to present at its annual session 2000, a paper containing proposals for revising and updating the multi-year funding framework (MYFF), lessons learned and proposals for the timing and structure of the MYFF final report (MYFFR). In the same decision, the Board further called on the Administrator to provide an update of the integrated resource framework (IRF) on the basis of table 4 in the MYFF as well as strategic results and integrated resource frameworks for the funds and programmes administered by UNDP.

2. The present paper provides responses to Executive Board decision 99/23 along with a status of the main issues relating to the MYFF, beginning with the formulation of the strategic results framework (SRF) by country offices in May of 1999. The results-oriented annual report (ROAR) formulation process took longer than originally foreseen and the need to review carefully both the process and its implications necessitated postponing the submission of the present paper from the annual session to the current session.

3. All matters relating to the UNDP-administered funds and programmes have been dealt with separately (DP/2000/CRP.10), of which the Executive Board took note in its decision 2000/15.

4. As the present paper highlights, UNDP has moved quickly to assess the implications and lessons of the MYFF/ROAR exercises over the past year in order to consolidate their potential in managing for results. However, added attention must now focus on financial resources, specifically the continuing trend in core resources. A continuation of the current trend for core resources to stagnate risks jeopardizing the ability of UNDP to meet fully the results envisaged under the MYFF.

II. Background

5. Approved by the Executive Board in its decision 99/23, the MYFF laid out for the first time the main strategic objectives of UNDP within a four-year period and included a clear link between these and the financial resources required. The approval of the MYFF was a cornerstone in consolidating results-based management (RBM) in UNDP and ushered in an entirely new, more proactive approach to managing the delivery of results.

6. At the same time, the MYFF has brought with it both a challenge and an opportunity for the organization. The challenge stems from the fact that the MYFF clarifies UNDP intended results and in so doing provides a basis against which the organization could and will be judged at the end of the programming period. The opportunity is to position UNDP for the future, to improve strategic management and align organizational resources more effectively behind results areas, whether corporately or at the country level. The formulation of the Business Plans (DP/2000/8) is intended precisely to capitalize on this opportunity and to provide a blueprint for a more effective alignment of resources for improved results delivery.

7. The MYFF formulation was premised on combining both a top-down and bottom-up approach. While the SRFs provided a corporate framework reflecting the major areas of UNDP intervention, the actual content in terms of expected development results, outputs and indicators was dictated by the country-specific context.

8. Underpinning the MYFF approach is the tight monitoring of results delivery through regular reporting and the use of concrete indicators/benchmarks. As a result, UNDP will be required to formulate two types of reports throughout the MYFF period:

(a) Annual reports on results performance (one for each country office and a corporate report);

(b) A final, end-of-period report in 2003 providing a global assessment of the organization's performance throughout the entire MYFF cycle.

9. The first corporate ROAR, covering performance in 1999, was presented to the Executive Board at its annual session 2000. In its decision 2000/15, the Board commended the Administrator and his staff for the effort made in preparing the ROAR and called for the promotion and further refinement of the process as an integral part of the MYFF. The comments made by many Board members and observers at the annual session also provided additional inputs for the refinement of the methodology.

III. A review of the MYFF to date: lessons learned

10. While it is premature to draw definitive lessons from the experience to date with RBM, given its relatively recent introduction only some 18 months ago, the formulation of the MYFF and ROAR have indeed pinpointed both clear successes and a number of issues that require further attention and effort.

11. First, it is important to underscore that introducing RBM into UNDP has initiated a fundamental mindset shift in how the organization assesses itself and manages results at all levels. Importantly, the formulation of the MYFF and the ROAR now provide an operating system, both corporately and at the country-office level, that allows UNDP to monitor, measure and demonstrate better the results, value and use of its multilateral funding. Yet, introducing this new RBM approach within such an ambitious time-frame has entailed a steep learning curve by all staff and has imposed considerable demands on the organization in terms of time and both human and financial resources. In this, a number of important factors proved decisive in allowing UNDP to pursue its RBM agenda swiftly, namely:

(a) The willingness of staff to accept and recognize the value of the new tools in improving delivery;

(b) Sustained commitment by senior managers;

(c) Strong support from the Executive Board.

12. The 1999 corporate ROAR confirmed that UNDP programme performance is, to a great extent, consonant with the intended results and outcomes of the MYFF. UNDP continues to emerge as an organization centred on policy support and capacity-building with the largest amount of outcomes classified under these areas. The SRFs and the ROARs also provide a valuable mechanism to refine further and advance the organization's strategic focus and main results areas.

13. The ROAR formulation process, in particular the analysis of the data received, does not suggest the need for a substantive revision of the MYFF as formulated. For the time being, it is suggested that such revisions or refinements be undertaken within the framework of the corporate ROAR and as an integral part of the MYFF mid-term results report.

14. The formulation of the ROAR did, however, highlight a number of issues that need to be addressed in order to place RBM firmly at the heart of UNDP management approaches. This will involve developing a strategy over the next few years that seeks to monitor and improve awareness and understanding of key concepts and methods on a continual basis, particularly with regard to the issues presented in more detail below.

Refining the methodology

15. One set of issues pertains to crucial aspects of the SRF/ROAR methodology. The methodology of the ROAR clearly represents a breakthrough for UNDP and has the potential to be a major contribution to the work of other development organizations that are pursuing RBM approaches and improved performance measurement. Naturally, the methodology developed also requires further attention as part of a continuing, systematic effort to improve performance monitoring. A number of issues stand out for immediate attention.

16. First, the length of many SRFs and ROARs indicates a continuing need to foster more selective approaches in the choice of outcomes and outputs to ensure these documents remain strategic in nature. Furthermore, additional effort needs to be placed on clarifying the purpose of and links between the SRF/ROAR and other instruments such as the Common Country Assessment (CCA), the United Nations Development Assistance Framework (UNDAF) and the country cooperation framework (CCF).

17. The information on partnerships needs to be improved in terms of the roles and responsibilities of other development partners to strengthen that key link between UNDP outputs and expected outcomes on which the SRF is premised. More precise details are also required on the actual role of UNDP within the development context of programme countries, particularly if it is providing additional support to aid coordination efforts.

18. Capturing UNDP work tied to advocacy within a format designed to match activities to specific results has proved difficult. While an attempt was made to address this in the first part of the ROAR, it has not proven sufficient and the matter is being addressed with a view to improving reporting on this type of activity in the second ROAR. The importance of

addressing this matter is pressing, given the trend evident in the ROAR that shows UNDP strongly focused on the type of upstream policy-related intervention that normally involves a significant advocacy component

19. Another problem particularly visible with the ROAR has been the underreporting of cross-sectoral issues that also involve a national-international link. A case in point is the reporting on activities and results linked to the work of the Global Environment Facility (GEF), the United Nations Capital Development Fund (UNCDF), the Office to Combat Desertification and Drought (UNSO) and the United Nations Development Fund for Women (UNIFEM) and both regional and global programme activities. Clearer guidance needs to be issued to ensure that country offices are aware of the scope and comprehensiveness of reporting on these in order to ensure more detailed, accurate analysis.

20. Managing for results hinges on the definition of measurable targets and on the use of clear indicators and benchmarks with which to go beyond self-assessment and towards some objective monitoring of progress and performance, whether at the country or corporate level. A number of country offices have highlighted this aspect of the MYFF as one of its most positive features. Three types of indicators were designed:

(a) Situational indicators, which provide a basis for assessing macro-level changes in the development environment;

(b) Country office specific indicators, which provide a means of monitoring progress towards objectives; and

(c) Generic indicators, which are designed to assess UNDP performance in key results areas.

21. While the SRFs and ROARs show that country offices have made good use of indicators and benchmarks, it is also clear that they require further guidance and support in developing this approach. In particular, the use of situational indicators to gauge macro-level development changes and impact was a weak point in the 1999 ROAR. This issue is being reviewed and the next generation ROAR will also contain an innovative, effective link between situational indicators and the human development indicators that form the basis of the *Human Development Report*. This will greatly strengthen monitoring and reporting on human development trends at the country level.

22. The results of the first ROAR have also stressed the need to develop a simple, limited approach to assessing corporate performance with the identification of a few, key generic indicators. This will facilitate both the gathering and presentation of information without prejudice to an assessment of performance trends. These, together with more precise and relevant situational indicators, will strengthen efforts to demonstrate the link between UNDP results and developmental impact.

Revising the SRF

23. While the SRF templates contained in the annex to document DP/1999/CRP.12 provided an initial opportunity to highlight the UNDP areas of comparative advantage, these instruments should be further simplified. The aim is to create a more streamlined and updated template that better reflects UNDP key results areas and policy focus as laid out in the Business Plans. This process is under way and the new template will be the basis of the 2000 ROAR.

Managing information

24. Learning from the experience of the past year in managing the volume of information generated by both the MYFF and the ROAR, UNDP is in the process of establishing a new, integrated data management system. This system will facilitate results monitoring and information exchange at the country-office, regional-bureaux and corporate levels. It will have the advantage of familiarizing all staff with the same fundamental and proactive approach to results delivery.

25. Importantly, the link between the traditional classification of UNDP expenditures and the new SRF categories needs to be reviewed in order to strengthen the MYFF linkage between programme areas, results and financial resources.

Development results

26. The ROAR has provided an overview of UNDP performance in all key results areas, highlighting strengths, successes and weaker areas that require

attention to align UNDP fully with the Administrator's vision of a policy-driven organization. Inasmuch as the overall thrust of UNDP results lies in policy development and institutional capacity-building, the report also provides an excellent empirical baseline from which to monitor the ongoing transformation of UNDP into an upstream advisory services organization with an appropriate balance of downstream activities.

Organizational responsibilities

27. The first corporate ROAR represents a multipurpose instrument with implications for various spheres of organizational responsibility. As such, headquarters units have moved to review their respective areas of competence with the goal of aligning institutional resources in order to maximize results delivery. The key units are: the Bureau for Development Policy (BDP), the Bureau for Management (BOM), the Bureau for Resources and Strategic Partnerships (BRSP), the Evaluation Office and the Operations Support Group (OSG).

28. The division of labour among these units is as follows: OSG will coordinate all SRF/ROAR matters and the development of this system in UNDP. Within the framework of OSG coordination, BDP will review all aspects linked to policy support and future orientation. An in-depth review of the ROAR is already a main engine driving the restructuring of BDP and the establishment of its new service lines. BOM, with its responsibility for overall UNDP resource planning, covering both programme and the biennial support budget, will therefore be responsible for the integrated resource framework (IRF) in terms of development, monitoring and reporting. In addition, BOM will also assess other management implications of the MYFF/ROAR, particularly in terms of human resource profiles and retooling. BRSP will review and take responsibility for all matters covering UNDP support to the United Nations and the Evaluation Office will provide methodological support and guidance to the development of RBM in general, in particular with regard to indicators.

29. The first SRF/ROAR period has confirmed that headquarters units, primarily regional bureaux, have a key role in providing quality assurance to supplement the efforts of the country offices. The approach adopted in this initial phase was flexible and based on close cooperation with other central units. The lessons learned from this experience have now provided a series of ideas for the content, structure and timing of feedback while emphasizing the necessity of adopting a systematic, uniform corporate approach.

30. At the country-office level, there is clearly a continuing need to ensure a full alignment with other programme instruments such as the country cooperation framework (CCF), the country office management plan (COMP) and the United Nations Development Assistance Framework (UNDAF) in order to assure clarity and coherence of purpose. Furthermore, UNDP is also reviewing the link between key aspects in country SRFs and ROARs and performance accountability, particularly in terms of the UNDP Resident Representative. An initial step in this direction is for Resident Representatives to select key outcomes for inclusion in the COMP for which the office will be held accountable through the year-end performance review of the Resident Representative.

31. Many of the above issues will be an integral part of the next round of UNDP-wide training. Additional resources will be required for this effort and UNDP will need to secure support from donors.

The MYFF report (MYFFR)

32. While it is rather early at this point to confirm in detail the contents of the MYFFR, it will certainly provide an opportunity for an in-depth review of the main lessons learned and the issues that surfaced over the first two years of the MYFF as well as their organizational implications. Importantly, it will provide an update on UNDP performance over the cycle, highlighting core strengths and weaknesses over the period as well as the organization's consolidation of an upstream approach.

IV. Integrated resources framework

33. The Integrated Resources Framework (IRF) links activities, results and financial allocations.

34. At the end of the first year of the MYFF, the current and projected positions with respect to regular resources do not bear out the assumptions of Executive Board decision 98/23, namely to increase voluntary contributions. The Administrator is taking actions to address the serious funding crisis of the organization.

35. By contrast, trust funds/third-party cost-sharing and government cost-sharing have continued to grow dynamically. In 1999, non-core income amounted to 69 per cent of total UNDP resources or $1.7 billion. The most significant income areas being: trust funds — $339 million; third-party cost-sharing — $192 million; and government cost-sharing — $989 million (others amount to $170 million).

36. The aggregate figures mask the serious financial crisis that UNDP is facing in its regular resource base. Other resources cannot substitute for a sufficient, predictable and sound base in regular funding, as highlighted in the annual review of the financial situation, 1999 (DP/2000/29). It remains a matter of concern that core resources represent a disproportionately small share of total resources when they remain the cornerstone of the UNDP impartial, country-owned and country-defined cooperation programme and the basis of support to the in-country United Nations development system. In fact, core resources represent only 28 per cent of total UNDP resources for 1999 (see document DP/2000/29).

V. Recommendation

37. Given that the efforts to rebuild the UNDP core funding base, which began with decision 98/23, have not led to the anticipated increases in core resources, the Administrator is concerned that the opportunity presented by results-based management through the MYFF and its associated instruments could be undermined. The Administrator further believes that delegations are fully aware of the implications of the present funding situation of UNDP. Full details of this were provided to the Executive Board in his annual report for 1999 (DP/2000/23).

38. Recognizing that the Executive Board will require time for consultations, the Administrator believes that it would be premature to present an updated IRF at the current session. He proposes to submit a revised IRF in conjunction with his biennial budget proposals at the third regular session 2001. This timing will allow the Administrator to hold consultations with the Executive Board and thus ensure that the updated IRF reflects such consultations and is in line with follow-up to the September 2000 Ministerial Meeting on UNDP. This approach will also enable the Administrator and the Board to review the UNDP funding framework in a holistic manner, covering both programme and support budgets.